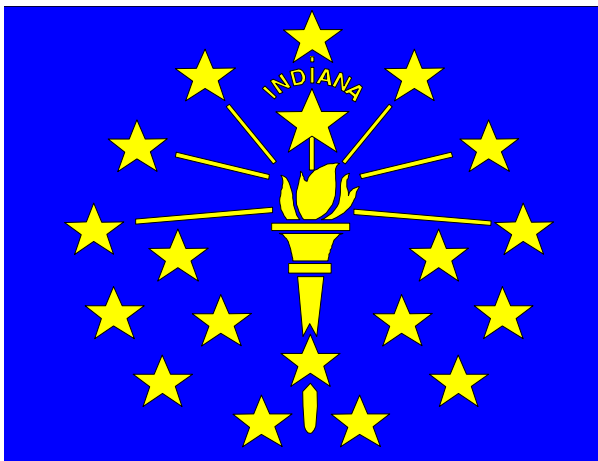


# Indiana: Debt Overview



Dan Huge

Public Finance Director of the State of  
Indiana

**December 8, 2022**



# Overview

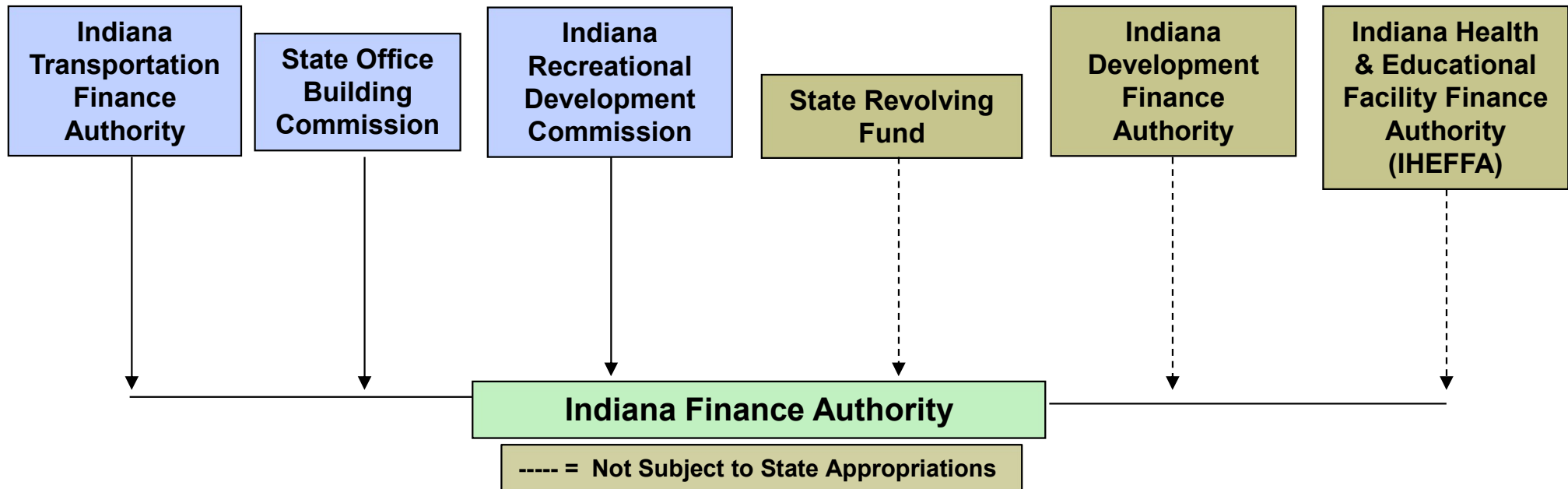
---

- I. Debt Management Overview
  - A. Indiana Finance Authority
  - B. Public Finance Director
  - C. State of Indiana Credit Rating History and Rankings
  
- II. Appropriation-Backed Debt
  - A. Debt Outstanding
  - B. Oversight
  - C. Debt Outstanding – Detailed Slides for each Issuing Entity
  
- III. Non-Appropriation-Backed Debt
  - A. Debt Outstanding
  - B. Oversight
  
- IV. IFA's Environmental Programs



## A. Indiana Finance Authority

- In 2005, the Indiana General Assembly created the Indiana Finance Authority (“IFA”) to oversee State-related debt. The enabling legislation consolidated five previously separate entities into the new IFA as shown. In 2007, legislation also merged the IHEFFA into the IFA.



- The IFA issues debt on behalf of these six predecessor agencies and has managed their debt portfolios since 2005.
- The IFA also issues debt for special projects like the Stadium and Convention Center, Indiana State Fair project and Indianapolis Motor Speedway.



## B. Public Finance Director

---

- ❑ During the 2005 General Assembly, the Public Finance Director was given statutory oversight of all state debt issuance and is the chief executive of the Indiana Finance Authority (IFA).
- ❑ Pursuant to this authorization and an Executive Order, the Public Finance Director has the following additional responsibilities:
  - Board member of the Indiana Bond Bank and the Indiana Housing and Community Development Authority.
  - Involved in the approval process for public university debt.
  - Involved in all debt issuances for the State Fair Commission, Ports of Indiana, and Indiana Secondary Market for Educational Loans.
- ❑ The ability of the Public Finance Director to monitor all debt being issued by state issuers enables consistent debt management across the State.
- ❑ The Public Finance Director is responsible for communication with rating agencies related to the State's credit rating.



## C. State of Indiana Credit Rating History

### □ Standard & Poor's

- **7/2008: AAA Stable**
- 1/2006: AA+ Stable
- 6/2005: AA Positive
- 1/2004: AA Stable
- 1/2002: AA+ Negative
- 12/1997: AA+ Stable

### □ Moody's Investor Services

- **4/2010: Aaa Stable**
- 8/2006: Aa1 Stable
- 12/2001: Aa1 Negative
- 12/1997: Aa1 Stable

### □ Fitch Ratings

- **4/2010: AAA Stable**
- 4/2006: AA+ Stable
- 5/2000: AA+

## Credit Strengths of the State of Indiana

*(As noted by the rating agencies in the 2022 state ratings reports)*

- Strong budgetary reserves, financial oversight and management
- Very strong liquidity, low leverage from debt and pension, conservative financial management and strong fiscal flexibility
- Low cost of living and business friendly legislation
- Low long-term liability burden
- Exceptionally strong operating profile



# Moody's Debt Median Report

Net Tax-Supported Debt (NTSD) - Indiana								
	September 2022 <sup>1</sup>				June 2021 <sup>2</sup>			
			State Rank				State Rank	
NTSD Amount	\$1,475 Million		39 <sup>th</sup>		\$1,575 Million		38 <sup>th</sup>	
NTSD Per Capita	\$217		46 <sup>th</sup>		\$233		45 <sup>th</sup>	
NTSD as % of State GDP*	0.4%		46 <sup>th</sup>		0.4%		45 <sup>th</sup>	
NTSD as % of Personal Income**	0.4%		46 <sup>th</sup>		0.5%		45 <sup>th</sup>	
Net Tax-Supported Debt (NTSD) – State Comparison								
	NTSD Amount		NTSD Per Capita		NTSD as % of State GDP		NTSD as % of Personal Income	
	(\$ in Millions)	Rank	(\$)	Rank	(%)	Rank	(%)	Rank
Indiana	\$1,475	39 <sup>th</sup>	\$217	46 <sup>th</sup>	0.4%	46 <sup>th</sup>	0.4%	46 <sup>th</sup>
Michigan	\$8,376	18 <sup>th</sup>	\$833	32 <sup>nd</sup>	1.5%	29 <sup>th</sup>	1.5%	30 <sup>th</sup>
Kentucky	\$7,364	21 <sup>st</sup>	\$1,633	20 <sup>th</sup>	3.1%	15 <sup>th</sup>	3.2%	16 <sup>th</sup>
Wisconsin	\$10,848	16 <sup>th</sup>	\$1,840	15 <sup>th</sup>	3.0%	16 <sup>th</sup>	3.1%	17 <sup>th</sup>
Ohio	\$20,243	8 <sup>th</sup>	\$1,718	19 <sup>th</sup>	2.7%	18 <sup>th</sup>	3.0%	18 <sup>th</sup>
Illinois	\$37,488	5 <sup>th</sup>	\$2,958	9 <sup>th</sup>	4.0%	11 <sup>th</sup>	4.4%	10 <sup>th</sup>

<sup>1</sup> Medians – Debt, pension and OPEB liabilities all up in fiscal 2021 September 2022

<sup>2</sup> Medians – State debt rose 2.5% in 2020, spurred by pandemic-linked borrowing, 14 June 2021



## II. Appropriation-Backed Debt

Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding (as of 6/30/2022)
Transportation Finance Authority	\$509,295,000
Public University (Fee-Replaced) <sup>1</sup>	\$1,217,746,947
IFA-Stadium & Convention Center <sup>2</sup>	\$935,940,000
State Office Building Commission	\$129,112,218
Indiana Bond Bank (Moral Obligation) <sup>3</sup>	\$90,143,974
Indiana Motorsports Commission (IMS)	\$71,020,000
IFA- EEC TIFIA Refunding	\$109,710,000
<b>Total</b>	<b>\$3,062,968,139</b>

<sup>1</sup> Estimated.

<sup>2</sup> Backed by appropriations, but first paid by other revenue sources.

<sup>3</sup> Not technically backed by appropriations, as it is a moral obligation to pay.

All numbers are rounded to the nearest USD



## Appropriation-Backed Debt: Oversight

- ❑ Appropriation-Backed debt is approved by the General Assembly either by approval of the project or the source of funds used to finance the repayment of bonds issued.
  - Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.

Issuing Entity	Oversight
Indiana Transportation Finance Authority (now IFA)	IFA / Public Finance Director
Public Universities (Fee-Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.
Stadium and Convention Center (managed by IFA) <sup>1</sup>	IFA / Public Finance Director
State Office Building Commission (now IFA)	IFA / Public Finance Director
Indiana Bond Bank (Moral Obligation) <sup>2</sup>	Reviewed by the Budget Committee and approved by the Budget Director. Public Finance Director on the board.
Recreational Development Commission (now IFA)	IFA / Public Finance Director

<sup>1</sup> Backed by appropriations, but first paid by other revenue sources.

<sup>2</sup> Not technically backed by appropriations, as it is a moral obligation to pay.





## Indiana Transportation Finance Authority (ITFA) Projects [now IFA]

- ❑ IFA issues debt in partnership with the Indiana Department of Transportation to finance the cost of construction, acquisition, reconstruction, improvement, or extension of the State's public ways. However, no new debt has been issued since 2004.
- ❑ Payment is made on Highways and Bridges bonds primarily using State-appropriated gas tax dollars, among other resources.
- ❑ ITFA debt is 100% fixed rate.
- ❑ Includes the defeasance in February of the 2017A HWAY Refunding bonds

Project	Debt Outstanding (as of 6/30/2022)
State Highways & Bridges	\$509,295,000
Total	<b>\$509,295,000</b>



## Fee-Replacement Public University Debt

- ❑ Fee-replacement bonds are debt issued by universities, through which State-appropriations reimburse the universities for debt service.
- ❑ Fee-replacement bonds must be reviewed by the Budget Committee and approved by the Budget Director and Public Finance Director.
- ❑ Debt outstanding will continue to grow over the next year based on authorization of new projects that have yet to be financed.

University	Debt Outstanding* (as of 6/30/2022)
Indiana University	\$289,210,000
Ivy Tech College	\$210,060,000
Purdue University	\$274,011,000
Ball State University	\$209,965,000
University of Southern Indiana	\$105,130,000
Indiana State University	\$102,248,547
Vincennes University	\$27,122,400
<b>Total</b>	<b>\$1,217,746,947</b>



## Indiana Stadium & Convention Center [debt managed by IFA]

- ❑ Stadium/Convention Center Construction Financing:
  - Original issuance composed of 79% variable rate bonds (hedged by swap agreements) and 21% fixed rate
    - ✓ Through strategic refunding, current portfolio now consists of 100% traditional fixed rate debt
  - Appropriation has never been used to pay debt service as revenues have been sufficient
  - Repayment sources are local food & beverage, hotel, rental car and admission taxes and Colts license plate fees.

Project	Debt Outstanding (as of 6/30/2022)
Lucas Oil Stadium	\$619,140,000
Convention Center	\$316,800,000
<b>Total</b>	<b>\$935,940,000</b>



## State Office Building Commission (SOBC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with multiple entities to finance or refinance the cost of acquiring, constructing, or equipping buildings and improvements, including:
  - Department of Administration
  - Family and Social Services Administration
  - Department of Corrections
  
- ❑ The SOBC debt portfolio is currently 100% fixed rate debt.

Project	Debt Outstanding (as of 6/30/2022)
DOC Energy Cost Savings Leases	\$3,867,218
Neuro-Diagnostic Institute	\$125,245,000
<b>Total</b>	<b>\$129,112,218</b>



## Indiana Bond Bank Moral Obligation Debt

- ❑ The Indiana Bond Bank (IBB) provides assistance to local government in funding special projects through the use of bonds including:
  - Water & Sewer Systems
  - Capital Improvement/ Building Projects
- ❑ IBB's Special Program debt may form a Moral Obligation (M.O.) with the State of Indiana providing the issuing organization with more favorable financing terms.
- ❑ The State only serves as a backstop on M.O. debt if the primary repayment source and any additional safeguards (e.g. debt service reserve funds) fail. IBB has never had a Moral Obligation claim in its history.

Project	Debt Outstanding (as of 6/30/2022)
Hendricks County Hospital	\$25,050,000
City of Charlestown Sewer	\$1,910,000
Adams County Hospital	\$22,960,000
South Bend TIF Districts	\$6,980,000
Columbus Learning Center	\$6,315,000
East Chicago Building Facility Corp.	\$3,390,000
Fort Wayne Regional Public Safety Academy	\$2,005,000
City of Carmel Sewer	\$2,895,000
Other Issuances (including Pools)	\$18,638,974
<b>Total</b>	<b>\$90,143,974</b>



## Public Private Partnerships (P3's)

- ❑ IFA entered into a P3 for East End Crossing (EEC) as an Availability Payment (AP) structure. The IFA provides two types of payments in this structure. Milestone Payments were made during construction and Availability Payments are made as substantial completion has been reached
- ❑ IFA executed a loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA) to pay the final portion of milestone payments
- ❑ EEC reached substantial completion in December 2016 and AP's started in FY17. Each AP is adjusted both for an inflation component (increased) and performance standards (possibly decreased)

Project	Debt Outstanding (as of 6/30/2022)
IFA TIFIA Lease Refunding Appropriation Loan	\$109,710,000
EEC Private Activity Bonds (PABS)*	\$527,645,000
<b>Total</b>	<b>\$637,355,000</b>

\*PABS technically are not IFA debt, but are treated as so by rating agencies that add P3 obligations to IFA totals to reflect the AP appropriation



### III. Non-Appropriation-Backed Debt

Non-Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding (as of 6/30/2022)
Indiana Bond Bank (Non-Moral Obligation) <sup>1,2</sup>	\$382,767,258
State Revolving Fund	\$1,858,300,800
Indiana Secondary Market for Educational Loans <sup>1</sup>	\$76,604,646
Public University (Non-Fee Replaced) <sup>1</sup>	\$1,422,910,769
Housing & Community Development Authority	\$608,097,600
<b>Total</b>	<b>\$4,348,681,073</b>

<sup>1</sup> Estimated

<sup>2</sup> Excluding Pass Through Debt



## Non-Appropriation-Backed Debt: Oversight

- ❑ Quasi agencies that issue debt, but rely neither on the full faith and credit of the State nor on a moral obligation.

Issuing Entity	Oversight
Indiana Bond Bank (Non-Moral Obligation)	Public Finance Director is on the Board
State Revolving Fund	IFA/Public Finance Director
Indiana Secondary Market for Educational Loans	IFA Assistance
Public University (Non-Fee Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.
Indiana Housing and Community Development Authority	Public Finance Director is on the Board
Ports of Indiana	IFA Assistance
Indiana State Fair Commission	IFA Assistance





# IFA's Environmental Programs

---

- **IFA Brownfield Program's - Petroleum Orphan Site Initiative (POSI)**

- Purpose
  - Addresses petroleum contamination on brownfield sites resulting from leaking underground storage tanks that cannot be addressed by a responsible party due to an inability to pay, bankruptcy, or other factors (hence-Orphan Sites)
- Funding Summary (as of 9/30/22)
  - Program has been funded since 2014
  - All funding has been through transfers from IDEM's Excess Liability Trust Fund & reimbursements from IDEM Petroleum Trust Fund (approx. \$970,000 annually)
  - SFY 22/23 ELTF appropriation was \$2.5M for each year, all of which has been allocated to projects
- Program Summary (as of 9/30/22)
  - 138 sites approved for funding in 94 communities (63 counties)
  - Total \$ obligated: \$24,576,279 (130% of appropriated funds available through SFY23)
  - Disbursed to date: \$19,472,519 (68% of approved budgets)
  - Closures: 67 No Further Action letters, 3 Site Status Letters, 2 Comfort & Closure Letters, 4 Project Status Letters issued (55% of awarded sites); 14 NFAs in draft
    - 243 underground storage tanks removed, 19 closed in place
    - 11 fuel oil underground storage tanks removed
    - 19 hydraulic lifts removed; 29 ASTs removed
    - 88,326 tons of petroleum-impacted soil removed
    - 451,496 gallons of liquid/sludge removed
- SFY 24/25 Request is to increase to \$4M in each year